#### PLANNING COMMISSION

Jon Commers, Chair





CITY OF SAINT PAUL Christopher B. Coleman, Mayor

25 West Fourth Street Saint Paul, MN 55102 Telephone: 651-266-6700 Facsimile: 651-228-3220

Date:

November 8, 2011

To:

Comprehensive Planning Committee

From:

Penelope Simison – penelope, simison@ci.stpaul.mn.us or 651/266-6554

Subject:

Industrial Zoning Study - background materials on industrial land uses

In previous discussions of preliminary staff recommendations for the industrial zoning study, committee members inquired about two broad aspects of industrial land use in Saint Paul, including a clearer understanding of the range of uses in industrial districts and the economic development strategies the City uses to guide its industrial activity.

This memo and its attachments pull together data and other information that describe industrial land uses in Saint Paul and how they fit into wider picture of economic development.

# Policy basis for industrial land use

The Saint Paul Comprehensive Plan establishes a foundation that shapes the City's economic development approach. The key policies in the document pertaining to industrial land use and economic activity are:

- 2.1 Ensure the availability of sufficient quantities of land suitable for existing and new employment centers; prepare an inventory of properties zoned for industrial and commercial uses that have the potential for redevelopment as employment centers.
- 2.2 Promote the redevelopment of outmoded and non-productive sites and buildings so they can sustain existing industries and attract emerging industries to Saint Paul; focus on issues that include, but are not limited to, energy efficiency, water conservation, and broadband capability.

Other policies in the "Provide Land for Jobs" section of the Land Use Plan essentially flow from these two policies. The industrial section identifies areas of the city where employment centers are most appropriate; describes an approach for the cleanup of contaminated land (brownfields remediation); encourages land assembly to create parcels sufficiently large for employment centers; and, calls for revisions of regulations to protect industrial districts for industrial activity. The industrial zoning study was initiated to fulfill the requirement to revise the Zoning Code.

Throughout the Comprehensive Plan, policies are identified with icons that reflect the underlying theme of "sustainability," including economic, social, and environmental sustainability. This theme was selected to broadcast the City's commitment to sustain and nurture those elements that have contributed to Saint Paul's vitality through the decades. Each policy is identified with one or more icons, depending on how it applies to sustainability. All of the economic sustainability policies were compiled into a separate document that is distributed to the City's economic development partners; a copy of this is attached.

Implementing these policies takes two pathways. One is the Zoning Code. The current industrial zoning study is designed to implement specific policies included in the industrial section of the Land Use Plan. In addition, the City is working on larger economic development issues, as discussed at the committee previously. The staff report describing the City's economic development work, prepared for that discussed, is attached.

#### **Industrial districts in Saint Paul**

# Definition of "industry" and the NAICS codes

Historically, industry was synonymous with manufacturing. This was generally the case through World War II and into the late 1940s, when the country slowly began to shift from an industrial production economy to a service- and information-based economy. This trend has accelerated since then.

To respond to this trend, the NAICS classification system was created to describe economic activity and the industries comprising that activity. See attached. The bar charts of Saint Paul industrial businesses included with this memo and described below are based on the NAICS system.

### Range of industrial uses in industrial districts

There are 1,706 businesses in three industrial districts – I1, I2, and IR (The I3 district, geographically, is small and includes only four businesses). Most of these businesses – 1,122 – are in the I1 district, with 383 in the I2 district and 195 in the IR district. What is striking about the breakdown of businesses in the bar charts (attached) is that more than 40 percent of the businesses in industrial districts, both citywide and in the three industrial districts, are service businesses.

# West Midway as a "case study" of contemporary industrial activity

To understand how contemporary economic activity, and the jobs it generates, plays out in a specific area, staff has included three charts describing industries and employment in the West Midway. The research was done for the West Midway Industrial Study task force. The West Midway industries with the greatest number of businesses and the highest employment are those in the service and information sectors. These numbers alone, outside of the context of the regional economy, are misleading, however. It is important to remember that the transportation and warehousing sectors (i.e., distribution services and good-related transportation) are key components of the regional economy, even though there are fewer businesses and employees in the West Midway. Virtually all the goods coming into the region and the Upper Midwest, as well as goods being shipped out, rely on the trucking and warehouse businesses in the West Midway, as well as the Shoreham area in Minneapolis. These numbers highlight the complexity of current industrial activity and employment, a complexity that impacts how the City can create and use programs and regulations (i.e., the Zoning Code) to strengthen businesses, employment, and the tax base.

#### Residential uses in industrial districts

Residential uses are permitted in industrial districts; specifically, housing included in a mixed-use development and congregate living facilities.

The attached map depicts the location of residential units in industrial districts. The large colored circles in the West Midway are the condominiums and apartments in the Franklin-Emerald area. The cluster of small circles in four distinct areas are housing units that, for the most part, were constructed prior to the development of the current Zoning Code and zoning maps. They are the industrial area southeast of Como/Front/Dale and the Sycamore/Acker neighborhood in District and the Brewery and Triangle neighborhoods in District 4.

Jon Commers, Chair .





CITY OF SAINT PAUL Christopher B. Coleman, Mayor

25 West Fourth Street Saint Paul, MN 55102 Telephone: 651-266-6700 Facsimile: 651-228-3220

Date:

October 5, 2011

To:

Comprehensive Planning Committee

From:

Staff for the Industrial Zoning Study

(Patricia James, Ellen Muller, Luis Pereira, Penelope Simison, Allan Torstenson)

Subject:

Economic Development Strategy/Context for the Industrial Zoning Study

This memo responds to issues and questions raised by committee members during the September 27 discussion of the preliminary staff recommendations for the industrial zoning study.

The industrial zoning study was conceived to implement three policies in the Land Use chapter of the Saint Paul Comprehensive Plan, adopted in 2010. Those policies, attached, call for a study of three broad issues, with the intention of protecting the City's employment base by ensuring compatibility between the primary industrial function of an industrial district and any non-industrial uses in that district. The components of the study are: (1) the industrial use list; (2) a review of non-industrial uses to ensure that they do not detract from the primary function of an industrial district; and (3) design standards for industrial districts.

Committee members inquired as to why the study did not address broader economic development issues, because an industrial zoning study should be based on an overall industrial and economic development policy that industrial zoning regulations are crafted to implement.

To address those questions and to update committee members on current efforts, this memo discusses the following:

- Zoning implements policy
- A city's role, historically
- Differences between policy and strategy City's most recent economic development strategy
- Current efforts
- Resource for City efforts

#### Zoning implements policy

The industrial zoning study and other zoning studies are used to implement policies found in the *Comprehensive Plan*, including the Land Use Plan, small area plans, district plans, etc., adopted by the City Council.

Industrial land use policies in the Land Use Plan are aimed at maintaining the city's employment base. Industrial employment categories (generally used by the Minnesota Department of Employment and Economic Development, etc.) include a broad range of production, processing, manufacturing, office, service, and related commercial uses. A 2008 City economic development

strategy (not part of the *Comprehensive Plan*) concentrates efforts on sectors with the greatest potential for job creation and those less likely to be outsourced. Sectors with the greatest potential for job creation tend to involve limited production and processing, office, service and commercial uses that are permitted in T2-T4, B3 and B5 districts as well as in industrial districts.

For the security of investors, buildings for industrial employment need to be designed to accommodate a broad range of production, processing, manufacturing, office, service, and related commercial uses. In response to market forces and changing needs, for example, space used for production of computers or software may need to be used for medical offices or laboratories a couple of years later. Zoning needs to accommodate such use changes without a difficult, unpredictable, or time-consuming permitting process.

# A city's role, historically

The City's role in business development generally focuses on business recruitment, financing for development or redevelopment, and controlling how the land within its boundaries is used. The Comprehensive Plan designates land use in the city, and the Zoning Code sets conditions and standards for specific land uses and zoning districts. The City also has tools that foster business development; specifically, establishing redevelopment areas and tax increment financing (TIF) districts and facilitating the cleanup of brownfields.

# Differences between policy and strategy – City's most recent economic development strategy

When the Commission and staff were updating the *Comprehensive Plan*, there was a request to include an economic development chapter in the document. In fact, PED staff was working on an economic development strategy at that time. It was a joint effort involving several Saint Paul partners that focused on six broad initiatives, as outlined in the strategy overview (attached).

As was noted at the September 27 committee meeting, there are inherent challenges with including such a strategy in a comprehensive plan. A comprehensive plan is intended to be a 10 year document, whereas an economic development strategy usually has a "shelf-life" of 3-5 years.

For several reasons, the strategy produced in 2008 is dated. The economic crisis of 2008 meant that some elements of the strategy were not relevant to business conditions during the recession that followed. Moreover, technology is ever more quickly changing ways in which business works. Lastly, an economic development strategy, while not ignoring the policies that ground its initiatives, is generally focused on specific programs and projects.

#### **Current efforts**

The economic development strategy has been superseded by two efforts, including PED's commercial corridors inventory and the *Minneapolis-Saint Paul Metropolitan Business Plan*.

The aim of the commercial corridors inventory is to facilitate redevelopment in downtown and along eight commercial corridors. (See attached description of objectives and activities.) PED's economic development team has identified properties owned by the City or the Housing and Redevelopment Authority, strategically located in these corridors, where redevelopment could lead to additional investment elsewhere in the corridor. The commercial corridors inventory is, in many ways, a classic economic development strategy because, while it is grounded in a vision ("to actively create opportunities and encourage investment") it focuses on taking advantage of opportunities for redevelopment as they arise.

The genesis of the *Minneapolis-Saint Paul Metropolitan Business Plan* (MSP) is a collaboration, begun by the Urban Land Institute, to beef up the regional economy and, as a result, to facilitate

growth in each of its cities. Mayor Christopher Coleman and his administration are heavily involved in its work. Soon after the launch of MSP in March 2011, The Brookings Institution selected six metropolitan areas around the country for intense work augmenting their regional economies in ways that benefit both the national economy and the region. The local collaboration soon merged with the Brookings effort, which is an Obama administration priority supported by federal funds.

MSP has key action items. One is "Accelerate MSP," which focuses on entrepreneurial efforts, particularly start-up businesses, that can foster regional growth. The prospectus for the Accelerate MSP initiative is attached; the draft of the action plan is expected to be completed by the end of this year.

Another action item is "Thinc Green MSP," which grew out of an initiative started by Mayor Coleman and Mayor R. T. Rybak in 2006; it is intended to foster the growth of energy efficient businesses and products.

The third major action item is the "Metropolitan Export Initiative." MSP is working in coordination with the Minnesota Trade Office to support and expand businesses and industries that export products and services outside the region. As will be noted below under Resources, a regional economy grows when its industry clusters produce products and services in excess of what is needed within the region. The export initiative is intended to expand the depth and scope of existing industry clusters so their reach extends beyond the region.

An executive summary of MSP is attached. The link to Regional Economic Development Initiatives is <a href="http://stpaul.gov/index.aspx?NID=4244">http://stpaul.gov/index.aspx?NID=4244</a> This site includes the full MSP document, the Executive Summary, Accelerate MSP and the Thinc.Green MSP Initiatives. The link to the Metropolitan Export Initiative is <a href="https://www.box.net/shared/x7xdeou0go">https://www.box.net/shared/x7xdeou0go</a>

#### Resource for City efforts

MSP taps into ongoing work by the Minnesota Department of Employment and Economic Development (DEED) on industry clusters.

Clusters are geographically based groupings of businesses and industries logically related to each other, generally through using similar industrial processes or supply chains, or producing goods and services that are connected in some way.

DEED has identified regional clusters that generate sufficient economic activity so that their products can be exported beyond the region. It is the region's ability to export products and services beyond what is needed locally that creates wealth and a vibrant economy. A DEED graphic illustrating clusters in the metropolitan region, including the nine strongest clusters, is attached.

The City, particularly in recent years, has increasingly relied on DEED's cluster analysis to shape its economic development programs and projects. Cluster analysis was part of the baseline of the economic development strategy of the mid-2000s and, currently, is an integral part of MSP planning.